



FINANCIAL STATEMENTS

PERIOD ENDED 13 SEPTEMBER 2008

(Registered Number: 315158)

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BRITISH SUGAR plc

Directors' Report and Financial Statements

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BRITISH SUGAR plc

**BRITISH SUGAR plc
BOARD OF DIRECTORS**

Directors

H J Davenport

J W Sutcliffe

K L Carter

D R Langlands

M I Carr

M Rowlands

R Rankin

Company Secretary
R S Mendelsohn

Registered Office: Weston Centre, 10 Grosvenor Street, London, W1K 4QY
Head Office: Sugar Way, Peterborough, PE2 9AY

BRITISH SUGAR plc

Directors' Report

The directors present their annual report and the audited financial statements for the 52 week period ended 13 September 2008.

1. Principal Activities

The company's principal activities during the period continued to be the processing of sugar beet and the manufacture and sale of sugar, animal feeds and molasses. These activities are expected to continue in the foreseeable future.

2. Review of Business

The company is a wholly owned subsidiary of Associated British Foods plc. As shown in the company's profit and loss account on page 10, turnover has increased during the period by 6.6%. The major factors affecting this increase have been the growth in biofuels sales and an increase in animal feed prices.

However, the operating profit percentage has reduced from 14.3% to 8%, excluding exceptional items, including exceptional items the Total Operating Profit has decreased from £92.9m to £78.1m. This is mainly due to changes in the EU sugar regime, including the effect this has had on the market for sugar.

As described in Note 28 the decrease in shareholders funds of £29.3m relates principally to the dividend payment of £55m (2007: nil) offset by the profit after taxation of £25.3m (2007: £53.4m).

Further changes to the EU Sugar Regime were implemented by the EU Commission in October 2007 and as one of the most efficient European sugar producers, British Sugar is well placed to meet the challenges of reform and take advantage of any opportunities it offers.

3. Dividends

A dividend of £55m was paid during the year. (2007: NIL). The directors did not recommend the payment of a final dividend (2007: NIL).

4. Principal Risks and Uncertainties

Sugar support prices are regulated by the European Commission under the Sugar Regime, as part of the Common Agriculture Policy. Support prices for sugar and sugar beet are quoted in Euros or related to the Euro; however British Sugar operates in Sterling in the UK. British Sugar is therefore exposed to a currency risk. This has been managed using a range of financial instruments. The following table shows the Euro rates for the year:

| | 52 Week period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|------------------------------|--|--|
| Euro spot rate at period end | 1.2604 | 1.4500 |
| Euros Average Rate | 1.3167 | 1.4780 |

BRITISH SUGAR plc

Directors' Report continued

4. Principal Risks and Uncertainties continued

Levels of energy consumption are high leading to an exposure to fluctuations in this commodity price. This is managed using a range of derivative instruments.

The regulated nature of the sugar industry means British Sugar is at risk of incurring penalties if it does not comply properly with the regulations. The Directors are alert to this issue and have established appropriate review groups, guidance and audit procedures to mitigate this risk.

5. Post Balance Sheet Events

On 19 February 2009 the Rural Payments Agency notified British Sugar that all of the €92,813 million renunciation compensation will be paid in June 2009 rather than delaying €55,688 million of it until February 2010.

6. Directors

The directors at 13 September 2008, all of whom have been directors for the whole of the 52 week period ended on that date unless stated otherwise, and secretary of the company are shown on page 1.

K L Carter and R Rankin retire by rotation and being eligible offer themselves for re-election at the Annual General Meeting

7. Directors' and Officers' Liability Insurance

During the 52 week period ended 13 September 2008 the parent company, ABF plc, maintained insurance for the directors and major officers to indemnify them against certain liabilities which they may incur in their capacity as directors or officers of the company, including liabilities in respect of which the company is itself unable to provide an indemnity by virtue of Section 310 of the Companies Act 1985.

8. Corporate Governance

British Sugar plc is a wholly owned subsidiary of Associated British Foods plc. Particulars of that company's compliance with the Combined Code are set out in its financial statements.

9. Going Concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

BRITISH SUGAR plc

Directors' Report continued

10. Research and Development

The company continued its expenditure on research and development and during the period this amounted to £5.4 million (2007: £3.9 million). It is anticipated that this level of expenditure will continue.

11. Environment

British Sugar recognises the impact that its business has on the environment. Therefore, as a minimum, it aims to comply with current applicable legislation of the countries in which it operates and its operations are conducted with a view to ensuring that emissions do not cause unacceptable environmental impacts and do not offend the community, resources are used efficiently and waste is minimised by reducing, reusing or recycling where practical and our packaging is kept to a minimum, consistent with food safety requirements.

In addition to the consumption of energy, British Sugar generates surplus electricity from highly efficient Combined Heat and Power (CHP) schemes and sells this electricity to the National Grid. The scheme participates in the UK Government's CHP quality assurance scheme and qualifies for a full exemption from the UK's Climate Change Levy.

During the period of account British Sugar has participated in the EU emissions trading scheme, a scheme designed to incentivise an overall reduction in carbon emissions.

12. Property Values

The directors are of the opinion that the market value of interests in land and buildings at the end of the period exceeded the amounts included in the balance sheet, but they are unable to quantify the excess.

13. Charitable Donations and Political Contributions

Donations to UK charities are made on a money match basis matching employees' efforts pound for pound. Donations amounted to £34 thousand (2007: £48 thousand). British Sugar has particular interests in projects in the areas of health and healthcare, education, environment and enterprise, with employee inspired community projects receiving special attention.

No political contributions were made (2007: NIL).

BRITISH SUGAR plc

Directors' Report continued

14. Employment Policies

Details of the number of employees and related costs can be found in Note 9 to the Financial Statements.

The company aims to involve employees in all aspects of British Sugar's development and achievements. This is achieved through well established communication channels and consultative systems that exist between management, trades unions, works advisory committees and individual employees which help to foster the mutual trust and recognition of common goals, essential to the smooth running of the business.

Every effort is made to ensure that procedures and prejudices regarding race, religion, age or sex do not hinder people from obtaining jobs or in the development of their careers.

Comprehensive training programmes are designed to give employees the opportunity of improving their skills.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude and abilities of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person not suffering from a disability.

15. Creditor Payment Policy

The company has an agreement for the purchase of sugar beet with all of the growers who supply the company. The agreement is called the Inter Professional Agreement ("IPA") and its terms are regularly reviewed with the National Farmers' Union ("NFU") acting on behalf of all growers. Copies of the IPA may be obtained from either the company or the NFU.

For all other suppliers, it is the company's policy to apply the company's standard terms of payment which are advised to suppliers at the time of placing orders, and then to make payment in accordance with those standard terms.

The outstanding trade creditors at the balance sheet date, as a proportion of the invoices received from suppliers during the year, represent 35 days purchases (2007: 36 days).

16. Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

BRITISH SUGAR plc

Directors' Report continued

17. Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'D R Langlands', written in a cursive style.

D R Langlands, *Director*

09 April 2009

BRITISH SUGAR plc

Statement of Directors' responsibilities in respect of the directors' report and financial statements

The directors are responsible for preparing the directors report and the financial statements in accordance with applicable law & regulations.

Company law requires the directors to prepare financial statements for each financial period, under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK GAAP). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safe guard assets and to prevent and detect fraud and other irregularities.

BRITISH SUGAR plc

Independent auditor's report to the members of British Sugar plc

We have audited the financial statements of British Sugar plc for the 52 week period ended 13 September 2008 which comprise of the Profit and Loss Account, the note of Historical Cost Profits & Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' Responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), are set out in the statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

BRITISH SUGAR plc

Independent auditor's report to the members of British Sugar plc continued

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 13 September 2008 and of its profit for the 52 week period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

09 April 2009

BRITISH SUGAR plc

Profit & Loss Account

(£ millions)

| Notes | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|--|--|--|
| 4 TURNOVER | 692.3 | 649.7 |
| Cost of sales | (536.3) | (449.2) |
| Gross Profit | 156.0 | 200.5 |
| Distribution costs | (72.6) | (61.0) |
| Administrative expenses | (35.9) | (46.6) |
| 5 Exceptional income | 22.4 | - |
| Other operating income | 8.2 | - |
| Total operating profit | 78.1 | 92.9 |
| Split as: | | |
| Operating profit - excluding exceptional items | 55.7 | 92.9 |
| 5 Exceptional items | 22.4 | - |
| Profit on sale of property | - | 0.2 |
| 6 Interest receivable and income from fixed asset investments | 5.9 | 8.8 |
| 7 Interest payable and similar charges | (33.9) | (28.7) |
| 8 Profit on Ordinary Activities Before Taxation | 50.1 | 73.2 |
| 12 Taxation on Profit on Ordinary Activities | (24.8) | (19.8) |
| Profit on Ordinary Activities after Taxation | 25.3 | 53.4 |

A statement of movements on reserves is given in note 27.

There are no recognised gains or losses other than the profit for the period.

The company has made no material acquisitions or discontinued any operations, within the meaning of Financial Reporting Standard 3, during 2008.

The notes on pages 13 to 31 form part of these financial statements.

BRITISH SUGAR plc

Note of Historical Cost Profits & Losses (£ millions)

| | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|---|--|--|
| Reported profit on ordinary activities before taxation | 50.1 | 73.2 |
| Difference between the historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount | 2.2 | 1.1 |
| | <hr/> | <hr/> |
| Historical cost profit on ordinary activities before taxation | 52.3 | 74.3 |
| | <hr/> | <hr/> |
| Historical Cost of Profit after Taxation | 27.5 | 54.5 |

BRITISH SUGAR plc

Balance Sheet

(£ millions)

| | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|---|--|--|
| Notes | | |
| Fixed Assets | | |
| 14 Intangible assets | 35.7 | 71.1 |
| 15 Tangible assets | 357.9 | 364.9 |
| 16 Investments | 3.4 | 3.4 |
| | <u>397.0</u> | <u>439.4</u> |
| Current Assets | | |
| 17 Stocks | 88.7 | 90.3 |
| 18 Debtors | 376.3 | 641.1 |
| Cash at bank and in hand | 0.7 | 0.8 |
| | <u>465.7</u> | <u>732.2</u> |
| 19 Creditors: amounts falling due within one year | (221.1) | (531.4) |
| Net Current Assets | <u>244.6</u> | <u>200.8</u> |
| Total Assets less Current Liabilities | 641.6 | 640.2 |
| 20 Creditors: amounts falling due after more than one year | (202.9) | (176.8) |
| 21 Provisions for liabilities and charges | (52.5) | (47.9) |
| | <u>(255.4)</u> | <u>(224.7)</u> |
| Net Assets | <u>386.2</u> | <u>415.5</u> |
| Capital and Reserves | | |
| 26 Ordinary share capital | 80.0 | 80.0 |
| 11 Share based payment reserve | 0.8 | 0.4 |
| 27 Revaluation reserve | 48.0 | 50.2 |
| 27 Profit and loss account | 257.4 | 284.9 |
| 28 Shareholders' Funds (all equity) | <u>386.2</u> | <u>415.5</u> |

The notes on pages 13 to 31 form part of these financial statements.

These financial statements were approved by the Board of Directors on 09 April 2009 and were signed on its behalf by:



M I Carr
Director

BRITISH SUGAR plc

Notes to the Financial Statements

1 Accounting Reference Date

The accounting reference date is the Saturday nearest to 15 September. Accordingly these financial statements have been prepared for the 52 week period ended 13 September 2008.

2 Group Accounts

As permitted by s229 of the Companies Act 1985, the Directors have excluded from the consolidation all subsidiary undertakings detailed in note 16 as their inclusion is not material for the purpose of giving a true and fair view. As a result, there is no material difference between the parent company's individual financial statements and the financial statements presented on a consolidated basis.

The Directors have not disclosed the aggregate amount of capital and reserves of the excluded subsidiary undertakings as it is not material in the context of the parent company financial statements.

Between the company and the excluded subsidiary undertakings, there are no dividends received or receivable by the company and the company has not written down its investment or any amounts due during the current or preceding period.

3 Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and with the requirements of the Companies Act 1985, except for the departure noted in the investment note below.

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Basis of Accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain land and buildings.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking. A group cash flow statement is included in the financial statements of Associated British Foods plc.

Intangible Fixed Assets

Intangible fixed assets consist of purchased goodwill and operating intangibles, which are capitalised in accordance with FRS 10 and amortised in equal instalments over their useful economic lives, not exceeding 20 years.

Under the EU emissions trading scheme allowances purchased are capitalised and amortised over their life.

BRITISH SUGAR plc

Notes to the Financial Statements

3 Accounting Policies continued

Depreciation

Depreciation is calculated on a straight line basis and is applied to completed capital expenditure in the month it is brought into commission at rates calculated to write off the relevant assets over their expected useful lives.

| | |
|--|---------|
| Freehold land | NIL |
| Industrial buildings and freehold property | 2 - 3% |
| Plant and equipment | 5 - 33% |
| Motor vehicles | 20% |

Investments

Investments are held at cost less any permanent diminutions in value, with the exception of the company's investment in the Billington Food Group Ltd.

In 2005 the trade and net assets of the Billington Food Group Ltd were transferred to the company at their book value which was less than their fair value. The cost of the company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the company's investment in that subsidiary undertaking fell below the amount at which it was stated in the company's accounting records. Schedule 4 to the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors considered that, as there has been no overall loss to the company, it would have failed to give a true and fair view to charge that diminution to the company's profit and loss account and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill.

The effect of this departure is to increase the holding company's profit for the period by £20.7 million (2007: increase the holding company's profit for the period by £23.7 million) and to increase intangible fixed assets by £20.7 million (2007: £23.7 million).

Deferred Income

Deferred income consists of government grants and premiums on issue of debenture stock. Government grants are released to the profit and loss account over the expected useful life of the related asset and debenture premiums over the debenture term.

Leases

Assets held under finance leases are capitalised and depreciated over the shorter of the lease term and the expected useful life of the asset. The corresponding obligations under these leases are included with borrowings. The finance charge element of rentals payable is charged to the profit and loss account. Operating lease rentals are charged to the profit and loss account in equal instalments over the term of the lease.

BRITISH SUGAR plc

Notes to the Financial Statements

3 Accounting Policies continued

Stocks

These are valued as follows:

| | |
|--------------------------|--|
| Consumable stores | At the lower of cost and net realisable value. |
| Sugar and other products | At the lower of cost and net realisable value. Cost comprises the direct cost of materials and labour together with associated overheads allocated on the basis of normal activity levels. |
| New crop expenditure | All expenditure relating to the 2008 / 09 crop is carried forward to the next financial period as production work-in-progress at actual cost. |

Turnover

Turnover comprises the net invoiced sales of sugar and other products delivered to customers and excludes sales tax.

Revenue is recognised when risks and rewards of the underlying products have been substantially transferred to the customer. Revenue is stated net of price discounts, certain promotional activities and similar items.

Taxation

The charge for taxation is based on the profit for the year. Deferred taxation is provided on timing differences arising from the different treatment for accounts and taxation purposes of transactions and events recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that tax will arise. Deferred tax assets and liabilities are not discounted.

Research and Development

Expenditure in respect of research and development is written off as incurred.

Pension Costs

In accordance with FRS17, for defined contribution schemes, contributions are charged to the profit and loss account in the period in which they arise.

The company is a member of the funded UK defined benefit scheme of Associated British Foods plc, the assets of which are held in trustee administered funds. The scheme is a multi-employer scheme. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 'Retirement benefits', the scheme is accounted for by the Company as if it was a defined contribution scheme.

Particulars of the latest actuarial valuation are detailed in the financial statements of Associated British Foods plc for the year ended 13 September 2008, which is available from www.abf.co.uk.

BRITISH SUGAR plc

Notes to the Financial Statements

3 Accounting Policies continued

Pension Costs continued

The Company makes payments to Associated British Foods plc based on the pensionable remuneration of its employees. Total payments in the financial year were £9.1m (2007: £8.6m).

Share Based Payments

The Associated British Foods plc group operates a share incentive plan which allows employees to receive allocations of shares subject to the attainment of certain financial performance criteria and typically after a three-year performance period. The fair value of the shares to be awarded is recognised as an employee expense by the company, with a corresponding increase in reserves. The fair value is measured at grant date and charged to the income statement over the period during which the employee becomes unconditionally entitled to the shares. The fair value of the shares allocated is measured taking into account the terms and conditions under which the shares were allocated. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

Foreign Currencies

Transactions in foreign currencies are translated into sterling at the rate ruling on the day of the transaction, or if hedged forward, at the rate of exchange under the related forward currency contract. Assets and liabilities denominated in foreign currencies are translated into sterling at the period end rate of exchange. Where business transactions are covered by forward exchange contracts, any exchange difference on the contract is recognised upon maturity. All exchange differences are taken to the profit and loss account.

Financial Instruments

The company uses a range of derivative instruments, including forward foreign exchange contracts to manage exposures to fluctuations in exchange rates and energy based forward contracts. The contract rate is used to determine the book value of the asset or liability.

BRITISH SUGAR plc
Notes to the Financial Statements

4 Segmental Information
(£ millions)

| | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|--|--|--|
| Turnover by class of business: | | |
| Sugar | 570.3 | 562.8 |
| Animal feeds | 64.0 | 56.5 |
| Ethanol | 23.3 | 2.5 |
| Other | 34.7 | 27.9 |
| | <u>692.3</u> | <u>649.7</u> |
| | | |
| | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
| Turnover by geographic destination: | | |
| United Kingdom | 611.8 | 590.4 |
| Other EU Countries | 78.9 | 58.8 |
| Rest of World | 1.6 | 0.5 |
| | <u>692.3</u> | <u>649.7</u> |

All turnover originates within the UK.

The classes of business do not, in the opinion of the directors, differ substantially and therefore no analysis of profit on ordinary activities before taxation has been given.

5 Exceptional Items
(£ millions)

| | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|------------------------------|--|--|
| Renunciation Income | <u>65.5</u> | <u>-</u> |
| Costs: | | |
| Quota Written off | (37.5) | - |
| Restructuring cost | (4.8) | - |
| | <u>(42.3)</u> | <u>-</u> |
| Net Renunciation exceptional | 23.2 | - |
| | | |
| Other Reorganisation costs | (0.8) | - |
| | <u>22.4</u> | <u>-</u> |

Tax on the Exceptional Items amounts to £6.5m (2007:nil).

BRITISH SUGAR plc**Notes to the Financial Statements****6 Interest Receivable and Income
from Fixed Asset Investments**
(£ millions)

| | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|---|--|--|
| Interest on advances | 1.9 | 0.8 |
| Unwind of discount on receivables | 0.3 | - |
| Income from fixed asset investments | - | 1.3 |
| Interest receivable from fellow group companies | 3.7 | 6.7 |
| | <u>5.9</u> | <u>8.8</u> |

7 Interest Payable and Similar Charges
(£ millions)

| | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|--|--|--|
| Amounts payable on: | | |
| 10 3/4% Debenture stock | 16.0 | 16.0 |
| Interest payable to fellow group companies | 17.9 | 12.7 |
| | <u>33.9</u> | <u>28.7</u> |

8 Profit on Ordinary Activities Before Taxation
(£ millions)

| | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|--|--|--|
| Profit on ordinary activities before taxation is stated after charging: | | |
| Hire of land and buildings under operating leases | 0.6 | 0.5 |
| Hire of plant and machinery under operating leases | 0.5 | 0.4 |
| Depreciation on owned tangible fixed assets | 30.8 | 36.9 |
| Amortisation of intangible assets | 5.0 | 9.6 |
| Research and Development expenditure | 5.4 | 3.9 |
| EU levies | 142.2 | 98.6 |
| Auditor's remuneration, including expenses: | | |
| - for statutory audit of this company | 0.2 | 0.2 |
| Government grants released | - | 0.1 |

BRITISH SUGAR plc

Notes to the Financial Statements

9 Directors' Emoluments

(£ millions)

| | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|--|--|--|
| Directors' emoluments excluding pension scheme contributions | 2.2 | 1.5 |
| Pension scheme contributions | 0.2 | 0.3 |
| | <u>2.4</u> | <u>1.8</u> |

The emoluments of the highest paid director, excluding pension scheme contributions, were £806,577. Employer funded retirement benefits paid by the company on his behalf were £72,760 in the 52 week period ending 13 September 2008.

Directors are either members of the ABF defined contribution scheme or the ABF employer funded retirement benefits scheme.

10 Employees

(£ millions)

| | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|--------------------------------|--|--|
| Staff costs during the period: | | |
| Wages and salaries | 62.3 | 65.5 |
| Share based payment charge | 0.4 | 0.4 |
| Social security costs | 5.6 | 5.6 |
| Other pension costs | 9.1 | 9.9 |
| | <u>77.4</u> | <u>81.4</u> |

The average monthly number of employees, including directors, of the company during the period was 1,730 (2007: 1,841)

BRITISH SUGAR plc
Notes to the Financial Statements

11 Share Based Payments

The company had the following equity-settled share-based payment plans in operation during the period:

Associated British Foods Executive Share Incentive Plan 2003 ('the Share Incentive Plan'). The Share Incentive Plan was approved and adopted by Associated British Foods plc at its annual general meeting held on 5 December 2003. It takes the form of conditional allocations of shares which will be released if, and to the extent that, certain performance targets are satisfied over a three-year performance period.

Details of the shares outstanding under the equity-settled share-based payment plan are as follows:

| | 13 September 2008 | 15 September 2007 |
|--|----------------------|----------------------|
| Balance outstanding at the beginning of the year | 112,938 | - |
| Awarded | 117,136 | 112,938 |
| Vested | - | - |
| Lapsed | - | - |
| Balance outstanding at the end of the year | <u>230,074</u> | <u>112,938</u> |

Fair Values

The weighted average fair value of shares awarded was determined by taking the market price of the shares at the time of grant and discounting for the fact that dividends are not paid on conditionally allocated shares during the vesting period. The dividend yield used was 2.5%.

The weighted average fair value of shares awarded during the year was 837 (2007 - 825) pence per share and the weighted average share price was 900 (2007 - 887) pence.

The company recognised a total equity-settled share-based payment expense of £0.4m (2007 - £0.4), with a corresponding entry in reserves.

BRITISH SUGAR plc
Notes to the Financial Statements

12 Taxation

(£ millions)

| | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|---|--|--|
| The tax charge for the period comprises: | | |
| UK corporation tax at 29.1% (2007: 30%) on ordinary activities | 11.7 | 24.5 |
| UK corporation taxation on exceptional items | 6.5 | - |
| Amounts over provided in prior periods | - | (4.0) |
| Total current tax | <u>18.2</u> | <u>20.5</u> |
| Deferred tax | | |
| Abolition of UK industrial buildings allowance | 7.9 | - |
| Origination and reversal of timing | (1.3) | (0.7) |
| Tax on profit on ordinary activities | <u>24.8</u> | <u>19.8</u> |

Factors affecting current tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (29.1%). The differences are explained below:

| | 52 Week Period to 13 September 2008 | 52 Week Period to 15 September 2007 |
|---|--|--|
| Profit on ordinary activities before tax | <u>50.1</u> | <u>73.2</u> |
| Profit on ordinary activities before tax at the standard rate of corporation tax | 14.6 | 22.0 |
| Expenses not deductible for tax purposes | 5.3 | 3.6 |
| Non taxable income | (0.4) | (0.4) |
| Amounts over provided in prior periods | - | (4.0) |
| Capital allowances for period less than/(in excess of) depreciation | 0.9 | (0.2) |
| Other timing differences | (2.2) | (0.5) |
| Total current tax | <u>18.2</u> | <u>20.5</u> |

BRITISH SUGAR plc
Notes to the Financial Statements
13 Dividends

A dividend of £55m was paid during the year (2007: NIL)

14 Intangible Assets

(£ millions)

| | Goodwill | Operating Intangibles | Total |
|------------------------------|-------------|--------------------------|-------------|
| <i>Cost</i> | | | |
| At 15 September 2007 | 50.2 | 41.7 | 91.9 |
| Additions | - | 12.6 | 12.6 |
| Disposals | - | (47.6) | (47.6) |
| At 13 September 2008 | 50.2 | 6.7 | 56.9 |
| <i>Amortisation</i> | | | |
| At 15 September 2007 | 16.2 | 4.6 | 20.8 |
| Charge for the period | 4.9 | 0.1 | 5.0 |
| Disposals | - | (4.6) | (4.6) |
| At 13 September 2008 | 21.1 | 0.1 | 21.2 |
| <i>Net Book Value</i> | | | |
| At 13 September 2008 | 29.1 | 6.6 | 35.7 |
| At 15 September 2007 | 34.0 | 37.1 | 71.1 |

BRITISH SUGAR plc
Notes to the Financial Statements

15 Tangible Assets
 (£ millions)

| | Freehold Land & Buildings | Plant & Machinery | Fixtures, fittings & equipment owned | Total |
|---|---------------------------------|----------------------|---|---------------------|
| <i>Cost or Valuation</i> | | | | |
| At 15 September 2007 | 270.7 | 592.4 | 48.2 | 911.3 |
| Additions | 0.5 | 24.9 | 0.5 | 25.9 |
| Disposals | - | (3.1) | (0.1) | (3.2) |
| At 13 September 2008 | <u>271.2</u> | <u>614.2</u> | <u>48.6</u> | <u>934.0</u> |
| <i>Depreciation</i> | | | | |
| At 15 September 2007 | 135.3 | 373.0 | 38.1 | 546.4 |
| Charge for period | 4.1 | 23.8 | 2.9 | 30.8 |
| Disposals | - | (1.1) | - | (1.1) |
| At 13 September 2008 | <u>139.4</u> | <u>395.7</u> | <u>41.0</u> | <u>576.1</u> |
| <i>Net Book Value</i> | | | | |
| At 13 September 2008 | <u>131.8</u> | <u>218.5</u> | <u>7.6</u> | <u>357.9</u> |
| At 15 September 2007 | <u>135.4</u> | <u>219.4</u> | <u>10.1</u> | <u>364.9</u> |
| <i>Cost or Valuation</i> | | | | |
| At 13 September 2008 is represented by | | | | |
| Valuation | 151.5 | | | 151.5 |
| Cost | <u>119.7</u> | <u>614.2</u> | <u>48.6</u> | <u>782.5</u> |
| | <u>271.2</u> | <u>614.2</u> | <u>48.6</u> | <u>934.0</u> |

In September 1990 Gerald Eve & Co, independent Chartered Surveyors, carried out an open market valuation on an existing use basis of the majority of the company's land and buildings in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes. The results were incorporated into the financial statements at 30 September 1990.

If freehold land and buildings had not been revalued they would have been included at the following amounts:

| | 13 September 2008 | 15 September 2007 |
|----------------------------|------------------------------|------------------------------|
| Historical Cost | 189.5 | 189.1 |
| Depreciation based on cost | (106.4) | (104.5) |
| Net Book Value | <u>83.1</u> | <u>84.6</u> |

BRITISH SUGAR plc
Notes to the Financial Statements

16 Fixed Asset Investments

(£ millions)

| | Unlisted Subsidiary Undertakings | Associated Undertakings | Total |
|---|--|----------------------------|------------|
| Cost and net book value At 15 September 2007 | 0.5 | 2.9 | 3.4 |
| At 13 September 2008 | 0.5 | 2.9 | 3.4 |

Undertakings in which the company's interest is more than 10% are as follows:

| | Country of Incorporation | Principal Activity | Class and Percentage of Shares Held |
|--------------------------------|-----------------------------|-----------------------|--|
| British Sugar Pension Trustees | Great Britain | Dormant | Ord.Shares 100% |
| Crystal Fund Management Ltd | Great Britain | Dormant | Ord.Shares 100% |
| Wereham Gravel Co Ltd | Great Britain | Land Reclamation | Ord.Shares 100% |
| C Czarnikow Ltd | Great Britain | Trading | Ord.Shares 42.5% |
| Broomco (2704) Ltd | Great Britain | Dormant | Ord.Shares 100% |
| The Billington Food Group Ltd | Great Britain | Dormant | Ord.Shares 100% |
| Sukpak | Mauritius | Trading | Ord.Shares 30% |

The predominant area of operations of Wereham Gravel Co Ltd and C Czarnikow Ltd are the United Kingdom.

C Czarnikow Ltd has an accounting period end of 31 December.

Sukpak are a sugar packaging company operating in Mauritius with an accounting period end of 30 September.

In the opinion of the directors, the aggregate value of investments is not less than the value at which it is stated in the financial statements.

17 Stocks

(£ millions)

| | 13 September 2008 | 15 September 2007 |
|--------------------------|----------------------|----------------------|
| Consumable stores | 24.8 | 25.7 |
| Sugar and other products | 63.9 | 64.6 |
| | 88.7 | 90.3 |

BRITISH SUGAR plc
Notes to the Financial Statements

18 Debtors

| (£ millions) | 13 September 2008 | 15 September 2007 |
|------------------------------------|------------------------------|------------------------------|
| Trade debtors | 69.8 | 52.2 |
| Amounts owed by group undertakings | 119.3 | 441.6 |
| Other debtors | 79.6 | 8.2 |
| Prepayments and accrued income | 107.6 | 139.1 |
| | <u>376.3</u> | <u>641.1</u> |

Of the above £96.3 million relates to amounts owed by group undertakings which were recoverable after more than one year (2007: £11.9 million).

**19 Creditors: Amounts Falling Due
Within One Year**

| (£ millions) | 13 September 2008 | 15 September 2007 |
|--|------------------------------|------------------------------|
| Trade creditors | 15.4 | 15.6 |
| Corporation tax | 12.2 | 15.6 |
| Other creditors including tax and social security costs | - | 8.1 |
| Amounts owed to group undertakings | 8.5 | 239.6 |
| Accruals and deferred income | 185.0 | 252.5 |
| | <u>221.1</u> | <u>531.4</u> |

**20 Creditors: Amounts Falling Due
After More Than One Year**

| (£ millions) | 13 September 2008 | 15 September 2007 |
|------------------------------------|------------------------------|------------------------------|
| Debenture stock (Note 23) | 150.0 | 150.0 |
| Amounts owed to group undertakings | 47.6 | 26.4 |
| Government grant | 5.3 | 0.4 |
| | <u>202.9</u> | <u>176.8</u> |

The amounts owed to group undertakings are expected to be paid in more than five years.

BRITISH SUGAR plc
Notes to the Financial Statements

21 Provisions for Liabilities & Charges
 (£ millions)

| | Deferred tax | Restructuring | Other | Total |
|-----------------------------|--------------|---------------|------------|-------------|
| At 15 September 2007 | 41.4 | 5.7 | 0.8 | 47.9 |
| Charged to profit and loss | 8.8 | 3.6 | 1.5 | 13.9 |
| Provisions utilised | (2.2) | (6.3) | (0.1) | (8.6) |
| Provision released | - | - | (0.7) | (0.7) |
| At 13 September 2008 | 48.0 | 3.0 | 1.5 | 52.5 |

Other provisions primarily comprise amounts provided to cover regulatory and compliance matters.

22 Deferred Tax
 (£ millions)

| | 13 September 2008 | 15 September 2007 |
|-------------------------------------|----------------------|----------------------|
| Accelerated capital allowances | 56.5 | 47.7 |
| Other short term timing differences | (8.5) | (6.3) |
| Total deferred tax provision | 48.0 | 41.4 |

23 Debenture Stock
 (£ millions)

| | 13 September 2008 | 15 September 2007 |
|--------------------------------------|----------------------|----------------------|
| 10¾% redeemable debenture stock 2013 | 150.0 | 150.0 |

The 10¾% redeemable debenture stock 2013 is quoted on the London Stock Exchange, and is secured by a floating charge over the assets of the company.

The debenture stock is repayable as follows:

| | 13 September 2008 | 15 September 2007 |
|-----------------------|----------------------|----------------------|
| Two to five years | 150.0 | - |
| In five years or more | - | 150.0 |

24 Financial Instruments

BRITISH SUGAR plc
Notes to the Financial Statements
(£ millions)

Interest rate risk profile of financial assets and financial liabilities

Financial Assets

The company has no financial assets other than short term debtors and cash. These have been excluded from all the following disclosures other than currency risk as relevant. The fair value of current asset receivables approximates to the carrying values because of their short maturity. Deferred tax has been excluded from the following disclosures.

Financial Liabilities

Other than short term creditors, the only material financial liability held is the redeemable debenture stock (see note 23). This is a Sterling denominated fixed interest rate liability. The weighted average interest rate is 10.8% and the weighted average period for which the rate is fixed is 5 years.

Borrowing facilities

At 13 September 2008, the company had the following undrawn committed borrowing facilities, of which all conditions precedent had been met:

| | 13 September 2008 | 15 September 2007 |
|--------------------------------|------------------------------|------------------------------|
| Expiring in less than one year | 5 | 5 |

Currency exposure

The table below shows an analysis as at 13 September 2008 of the net monetary assets / liabilities that are not denominated in their functional currency. Gains and losses arising from these exposures will be recognised in the profit and loss account. The amounts in the table take into account the effect of forward contracts used to manage these exposures.

| Functional Currency Sterling | 13 September 2008 | 15 September 2007 |
|---|------------------------------|------------------------------|
| Net foreign currency monetary (liabilities)/assets | | |
| Euro | (49.5) | 12.0 |
| US Dollar | - | (0.1) |
| | <u>(49.5)</u> | <u>11.9</u> |

BRITISH SUGAR plc
Notes to the Financial Statements

24 Financial Instruments continued

(£ millions)

Fair values

There are no material differences between current and book values of financial instruments at 13 September 2008 other than those listed below:

| | 13 September 2008 | | 15 September 2007 | |
|--------------------------------------|-------------------|----------------------|-------------------|----------------------|
| | Net Book Value | Estimated Fair Value | Net Book Value | Estimated Fair Value |
| Primary Financial Instruments | | | | |
| Long term debt | 150 | 176 | 150 | 187 |

The estimated fair value of the long term debt is based on quoted market prices.

Hedges

As explained on page 16 of the Notes to the Financial Statements the company's policy is to hedge the following exposures:

- (i) Transactional currency exposures - using forward foreign currency contracts;
- (ii) Energy price fluctuations - using physical hedges through the operation of energy supply and trading activities together with financial products.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised or expires. Unrecognised gains and losses on instruments used for hedging and the movements therein are as follows:

| | Foreign Exchange | Energy Derivatives | Total Net Gain / (Loss) |
|---|------------------|--------------------|-------------------------|
| Unrecognised gains and (losses) on hedges at 15 September 2007 | - | (0.7) | (0.7) |
| Gains and (losses) arising in previous years that were recognised in the year ended 13 September 2008 | - | (0.7) | (0.7) |
| Gains and (losses) arising in the year ended 13 September 2008 that were not recognised in the year | (5.9) | (9.9) | (15.8) |
| Unrecognised gains and (losses) on hedges at 13 September 2008 | (5.9) | (9.9) | (15.8) |
| Of which: | | | |
| Gains and (losses) expected to be recognised in the year ended 12 September 2009 | (5.0) | (10.2) | (15.2) |

BRITISH SUGAR plc
Notes to the Financial Statements

25 Operating Leases

(£ millions)

13 September 2008 **15 September 2007**

Payments to which the company is committed in the following year are as follows:

Leases expiring:

Within one year

- plant & machinery

0.1 0.3

Between two and five years

- plant & machinery

0.4 0.4

Greater than five years

- land & buildings

0.6 0.6

- plant & machinery

- 0.2

1.1

1.5

26 Called Up Share Capital

13 September 2008
Number £ millions

15 September 2007
Number £ millions

Authorised

Ordinary shares
of 50p each

160,000,000

80.0

160,000,000

80.0

80.0

80.0

Paid

Ordinary shares
of 50p each

160,000,000

80.0

160,000,000

80.0

80.0

80.0

27 Reserves

(£ millions)

Share
Based
Payment

Revaluation
Reserves

Profit &
Loss
Account

At beginning of period as previously stated

0.4

50.2

284.9

Profit for the financial period

-

-

25.3

Dividends Paid

-

-

(55.0)

Share Based Payment reserve

0.4

-

-

Movement in Reserves (i)

-

(2.2)

2.2

At end of period

0.8

48.0

257.4

(i) A release from reserves has been made in respect of the annual depreciation on and disposal of revalued assets.

BRITISH SUGAR plc
Notes to the Financial Statements

**28 Reconciliation of Movements
in Shareholders' Funds**

| (£ millions) | 13 September 2008 | 15 September 2007 |
|--|----------------------|----------------------|
| Profit/(Loss) on ordinary activities for the financial period after tax | 25.3 | 53.4 |
| Equity dividends | (55.0) | - |
| Share based payment charge | <u>0.4</u> | <u>0.4</u> |
| | (29.3) | 53.8 |
| Opening shareholders' funds | 415.5 | 361.7 |
| Closing shareholders' funds | <u>386.2</u> | <u>415.5</u> |

29 Commitments
(£ millions)

Capital Expenditure

Projects authorised and contracted for amount to £3.5 million (2007: £9 million).

Other

Other commitments, which have arisen in the ordinary course of business, relate to outstanding foreign exchange contracts amounting to £0.7 million (2007: £1.8 million).

30 Contingent Liabilities
(£ millions)

| | 13 September 2008 | 15 September 2007 |
|--------------------|----------------------|----------------------|
| Trading Guarantees | 6.2 | 5.4 |

No security has been given against these contingent liabilities.

31 Related Party Transactions
(£ millions)

The company, being a 100 per cent subsidiary of ABF Investments plc, has taken advantage of the Financial Reporting Standard 8 exemption not to disclose related party transactions with 90 per cent entities in the same group. British Sugar plc's other related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below:

BRITISH SUGAR plc

Notes to the Financial Statements

Transactions and balances with associated undertakings

| | Sub Notes | C Czarnikow Sugar Ltd | Sukpak | Total 2008 |
|--|--------------|-----------------------------|--------|-------------------|
| Sales to associated undertakings on normal trading terms | (i) | 23.1 | - | 23.1 |
| Purchases from associated undertakings on normal trading terms | (i) | - | (1.1) | (1.1) |
| Dividends received from associated undertakings | (i) | - | - | - |
| Amounts due from associated undertakings | (i) | 8.4 | - | 8.4 |
| Subscriptions to the Sugar Bureau | (ii) | - | - | 0.5 |

(i) C Czarnikow Sugar Ltd is a 100% subsidiary of C Czarnikow Ltd. Details of the associated undertakings, C Czarnikow Ltd and Sukpak, are given in note 16 to the financial statements.

(ii) The Sugar Bureau is an unincorporated association promoting the use of sugar and undertaking research into its role in a balanced diet. The board of directors consists of eleven members, of whom four are directors or senior managers of British Sugar plc.

32 Holding Company

The ultimate holding company and controlling party as defined by FRS 8 is Wittington Investments Limited which is incorporated in Great Britain and registered in England.

The largest group in which the results of the company are consolidated is that headed by Wittington Investments Limited. The smallest group in which they are consolidated is that headed by Associated British Foods plc, which is incorporated in Great Britain and registered in England and Wales. The consolidated accounts of Associated British Foods plc are available to the public and may be obtained from Associated British Foods plc and are also available for download on the group's website at www.abf.co.uk.

33 Post Balance Sheet Events

On 19 February 2009 the Rural Payments Agency notified British Sugar that all of the €92,813 million renunciation compensation will be paid in June 2009 rather than delaying €55,688 million of it until February 2010.